Dallas Morning News: Fact Check: Boehner exaggerates ills of economy, debt; Ryan mislays some deficit blame

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As Republicans in Congress make their case for big spending cuts, some GOP leaders are arguing that reducing the debt is more urgent than most people realize.

In a major speech last Monday to the Economic Club of New York, House Speaker John Boehner lamented the ills of government borrowing and the failure of the 2009 stimulus package.

BOEHNER'S CLAIM: "The massive borrowing and spending by the Treasury Department crowded out private investment by American businesses of all sizes."

According to Bloomberg News, economic data doesn't support the speaker's claim.

While the government has issued more debt in recent years, the cost of borrowing "is low by historical standards," Bloomberg wrote. One key indicator, according to Bloomberg, is the TED spread. It shows the difference between what banks and the federal government pay to borrow for three months.

That spread has been falling. "A narrowing spread means banks are more willing to lend," Bloomberg reported.

Moreover, U.S. business investment in equipment and software grew 15.3 percent last year and 11.6 percent during the first quarter of 2011.

Economists Carmen Reinhart and Kenneth Rogoff have written that government debt hurts economic growth when it reaches 90 percent of GDP. For the U.S., that figure was projected at 69 percent in 2011, according to the Congressional Budget Office.

BOEHNER'S CLAIM: "The recent stimulus spending binge hurt our economy and hampered private sector job creation in America."

No matter what you think about the stimulus, independent economic estimates suggest that it helped, not hampered, employment during the recession.

As Bloomberg noted, the stimulus increased the number of employed people by between 1.4 million and 3.3 million, according to the CBO. A separate analysis by economists Alan Blinder and Mark Zandi found that the stimulus added almost 2.7 million jobs to U.S. payrolls.

BOTTOM LINE: Bloomberg's fact check shows that Boehner's statements about the economy are off the mark.

Perhaps the biggest marker of all is the House GOP's 2012 budget plan, which the chamber approved last month.

Drafted by Rep. Paul Ryan of Wisconsin, it would cut $5.8 trillion in federal spending over the next decade, convert Medicare to a voucher program and shrink Medicaid, and cut individual and corporate tax rates. President Barack Obama panned Ryan's plan for cutting taxes for the wealthy while dismantling social programs that support the elderly and the poor.

In a series of Internet posts defending his plan, Ryan struck back at Obama. Factcheck.org poked holes in several of Ryan's claims. We'll restate one that examined, in a big picture way, who's to blame for our rising debt.

RYAN'S CLAIM: "Democrats in Congress and President Obama have increased deficits from $458 billion in 2008 to an estimated $1.6 trillion in 2011 -- a 259 percent deficit increase in just three years."

Why is the U.S. so deeply in the red? "The financial crisis and the subsequent recession," Factcheck.org pointed out. The recession wiped out $419 billion in tax revenue in fiscal year 2009.

At the same time, federal spending increased. For that, President George W. Bush and Obama share responsibility, Factcheck.org says.

Bush presided over the bank bailouts and the huge capital infusions that saved Fannie Mae and Freddie Mac, the government-sponsored mortgage giants. Obama pushed for the stimulus.

As for Ryan's numbers, the deficit increase was more like 19 percent -- not 259 percent. Obama entered office with a projected deficit of $1.2 trillion. The deficit is projected to total $1.425 trillion at the end of this year, the CBO says.

BOTTOM LINE: Ryan's promotion of his plan includes "false and misleading information," according to Factcheck.org.

OUR SOURCES: "Boehner's Views on Economy Contradicted by Indicators, Studies," Bloomberg News, May 11; "Ryan's Budget Spin," Factcheck.org, May 6; "How the Great Recession Was Brought to an End," Alan S. Blinder and Mark Zandi, July 2010.